

**STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF EXAMINATION**

OF

**UTAH MEDICAL INSURANCE ASSOCIATION
OF
SALT LAKE CITY, UTAH**

**AS OF
DECEMBER 31, 2000**



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January 25, 2002

Honorable Merwin U. Stewart, Commissioner
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

Dear Sir:

In accordance with your instructions and in compliance with the insurance laws of the State of Utah, an examination of the financial condition and business affairs of

UTAH MEDICAL INSURANCE ASSOCIATION
Salt Lake City, Utah

an unincorporated interinsurance exchange, hereinafter referred to as the "Association" or "UMIA", was conducted as of December 31, 2000.

SCOPE OF EXAMINATION

The last examination was made as of December 31, 1997. The current examination covers the period from January 1, 1998 through December 31, 2000, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination. The current examination was conducted under the authority granted the Commissioner by Utah Code Annotated (U.C.A.) §31A-2-203, and was conducted in accordance with the procedures set forth in the National Association of Insurance Commissioners (NAIC) Examiners Handbook which was also authorized by U.C.A. §31A-2-203(6)(c).

The examination included a general review and analysis of the Association's operations, the manner in which its business was conducted during the examination period, verification of the payment of premium taxes to the states in which it was licensed, and a determination of its financial condition as of December 31, 2000. Assets were verified and valued, and liabilities were determined or estimated in accordance with rules and procedures as prescribed by the State of Utah, the Association's state of domicile. The examination was conducted in accordance with the generally accepted standards and procedures of regulatory authorities relating to such examinations. It included tests of the accounting records and a review of the Company's affairs and practices to the extent deemed necessary.

The Association retained the services of a certified public accounting firm to audit its financial records for the years under examination. The firm allowed the examiners access to the work papers and provided copies of requested working papers prepared in connection with its audits. The use of the firm's working papers did not significantly affect the nature and extent of the examination procedures performed.

The actuarial portion of the examination was performed by the consulting actuarial firm of Taylor-Walker & Associates, Inc. Their examination included a review of reserves for losses, loss adjustment expenses, unearned premiums, and reinsurance payable on projected losses.

A certificate of representation attesting to the Association's ownership of all assets and to the non-existence of unrecorded liabilities was signed by, and received from, the Association's management at the conclusion of the examination.

SUMMARY OF PRIOR EXAMINATION COMMENTS AND/OR RECOMMENDATIONS

The previous examination had the following six comments and/or recommendations. Following the individual examination report comment/recommendation is the status of the comment/recommendations.

1. The Association did not obtain declarations related to conflict of interest from all officers, members of the board of directors, and members of the board of governors, on an annual basis. (HISTORY – Conflict of Interest Procedure)

As of December 31, 2000, all of the board of Governor's, the board of directors and officers had signed conflict of interest statements on file in the Association's offices.

2. On the examination date, the custodial agreements were not in compliance with Utah Administrative Code (U.A.C) Rule R590-178 which was effective October 1, 1996. The custodial agreements were modified to comply with the Rule prior to the end of the examination. (ACCOUNTS AND RECORDS)

The custodial agreements were in compliance with Utah Administrative Code at December 31, 2000.

3. Included in cash was an \$875,623 invested in a repurchase account not covered by a custodial agreement as required by U.C.A. §31A-4-108. Prior to the completion of the examination, the repurchase account was covered under a custodial agreement which was in compliance with statutory requirements. (NOTE 2 TO FINANCIAL STATEMENT)

As of December 31, 2000, all invested assets were covered by custodial agreements as required by U.C.A. §31A-4-108.

4. For financial statement purposes, in 1994 the Association changed from discounting of its reserve for "occurrence losses and LAE" to not discounting the reserve. In 1993, the discount was \$409,880. (ACCOUNTS AND RECORDS)

As of December 31, 2000, the Association does not discount reserves.

5. In March of 1996, the Association was issued a Notice of Deficiency asserting it owed an additional \$7,700,000 income tax related to calendar years 1991 and 1992. The issues in dispute were the treatment, for income tax purposes, of advanced premium, reinsurance premium payable, the reserve for an insured's death, disability, or retirement, and loss reserves. The settlement resulted in a direct charge of \$515,651 to surplus. In November 1997, a trial was held, on the remaining issue of loss reserves, in the United States Tax Court. No accrual has been made with respect to the loss reserve issue as the amount owed, in any, is uncertain. The courts decision is not expected until late 1998 or early 1999. (NOTE 6 TO FINANCIAL STATEMENT)

On April 26, 1999, the United States Tax Court ruled in favor of the Association. The Internal Revenue Service had until approximately July 26, 1999, to appeal the decision which was not done.

6. The Association's surplus was determined to be \$27,129,045 for examination purposes. Its minimum capital requirement was determined to be \$1,000,000. Regarding risk-based capital requirements, the Association's total adjusted capital was \$27,129,045 and the authorized control level was determined to be \$4,753,295. (NOTE 6 TO FINANCIAL STATEMENT)

As of December 31, 2000, the Association's surplus was \$32,774,313 for examination purposes. The minimum capital requirement was \$1,000,000 and the total adjusted risk-based capital was \$32,774,313 with the authorized control level determined to be \$4,660,315.

HISTORY

General

The Association was organized November 20, 1978, as an unincorporated interinsurance exchange to provide medical professional liability insurance and related premises liability insurance. The Association commenced business in Utah on December 1, 1978.

The Association was an insurer operating under the provisions of U.C.A. §31A-5-108. It was managed by its attorney-in-fact, USMA Insurance Management Company (USMA-IMC), a wholly-owned subsidiary of the Utah Medical Association (UMA) and organized for the purpose of acting as attorney-in-fact for the Association and its members.

Capital Stock

Surplus to capitalize the Association was raised by requiring all physician insureds to make a subordinated loan to the Association in an amount determined according to the physicians' specialty. Effective September 1, 1989, the Association no longer required new members to make subordinated loans. As of the examination date, there were no subordinated loans outstanding or included in the total surplus of \$32,774,313.

Dividends to Policyholders

The Association paid no dividends to policyholders during the period covered by this examination.

Management

The membership of UMIA elects members to the board of governors for three year terms which are staggered. The Rules and Regulations of the Association bestow overall supervision to a board of governors consisting of twelve members elected from the membership of the Association. It was the duty of the board of governors to act as the advisory committee of the Association having all rights and responsibilities to exercise the subscribers' rights in accordance with the provisions of the laws of the State of Utah. The board of governors supervises the finances, the operations to such extent as to assure conformity with the subscribers' membership application-power of attorney, and audited statements of accounts and records of the Association and the attorney-in-fact. The board of governors was authorized to contract with the attorney-in-fact and had general supervision over the operations of the attorney-in-fact. The board of governors also selects officers of the Association.

Members serving on the board of governors at December 31, 2000, are identified by date of terms expiring:

<u>December 31, 2000</u>	<u>December 31, 2001</u>	<u>December 31, 2002</u>
Kelly L. Banks, MD Bozeman, Montana	R. Chad Halversen, MD Salt Lake City, Utah	Brent K. Lind, MD American Fork, Utah
Michael P. Collins, MD Salt Lake City, Utah	Randall J. Stockham, MD Murray, Utah	A.W. Middleton, JR., MD Salt Lake City, Utah
James B. Stinson, MD Salt Lake City, Utah	Douglas R. Mower, MD American Fork, Utah	Mark S. Shockey, MD Salt Lake City, Utah
Thomas S. Weed, MD Salt Lake City, Utah	Russell B. Shields, MD Bountiful, Utah	
Scott E. Bingham, MD Provo, Utah		

All five of the boards of governors with terms expiring on December 31, 2000, were reelected for three year terms in 2000.

Officers serving at December 31, 2000, were as follows:

R. Chad Halversen, MD	Chairman of the Board
Anthony W. Middleton, MD	Vice Chairman
Kelly L. Banks, MD	Secretary
Brent K. Lind, MD	Assistant Secretary

Attorney-in-Fact

In 1978, the Association entered into a Management Agreement – Power-of-Attorney with USMA-IMC, a company created and owned 100 percent by the UMA. The agreement has been revised since that date, the current revision being April 24, 1991.

The management agreement provides that the attorney-in-fact shall be responsible for the administration and management of the Association, including the production, underwriting and servicing of insurance for Association members. As consideration for management services, the attorney-in-fact was entitled to 20 percent of the net billed premiums and to receive underwriting fees as determined by the board of governors of the Association for any reinsurance assumed. However, the attorney-in-fact was only entitled to retain the commissions and fees to the extent of expenses actually incurred. This amounted to \$2,615,069, \$2,532,508 and \$2,752,279 for the years 1998, 1999 and 2000 respectively.

The affairs of the USMA-IMC were managed by a board of directors consisting of eleven members, each being a physician insured by the Utah Medical Insurance Association. The board of directors annually elects officers who are responsible for the daily operations of the management company.

Directors and officers serving the USMA-IMC at December 31, 2000, are identified by date of terms expiring:

<u>December 31, 2000</u>	<u>December 31, 2001</u>	<u>December 31, 2002</u>
David J. Howe, MD * Salt Lake City, Utah	Lynn R. Webster, MD Salt Lake City, Utah	Terry L. Jackson, MD Great Falls, Montana
Charles D. Behrens, MD* Park City, Utah	Robert D. Whipple, MD Ogden, Utah	Patricia Legant, MD Murray, Utah 84107
John F. Ramsey, MD * Sandy, Utah	Lynn M. Gaufin, MD Provo, Utah	Ronald A. Miller, MD Whitefish, Montana
	Marshall F. Willis, MD Pleasant Grove, Utah	Clayton S. Wilde, MD Salt Lake City, Utah

*Dr. Howe and Dr. Ramsey were reelected as Directors for new three year terms at the end of 2000. Dr. Patrice F. Hirning was elected to a three year term filling the position previously held by Dr. Behrens.

Ex Officio Members:

J. Leon Sorenson, Executive Vice President, UMA
Martin J. Oslowski, President/CEO, USMA-IMC
John B. Stanchfield, MD, Medical Director, USMA-IMC
A. Thomas Williams, MD, Assistant Medical Director, USMA-IMC

Officers:

Ronald A. Miller, MD	Chairman
Lynn R. Webster, MD	Vice Chairman
Lynn M. Gaufin, MD	Treasurer
David J. Howe, MD	Secretary
Martin J. Oslowski	President and CEO
Joseph D. Perry	Vice President – Finance
Arthur G. Glenn	Vice President – Claims

Conflict of Interest Procedure

The Association's practice was for each member of the board of governors and the board of directors to fill out a conflict of interest statement each year. Conflict of interest statements were found in the Association's files for the three years under review for the board of governors.

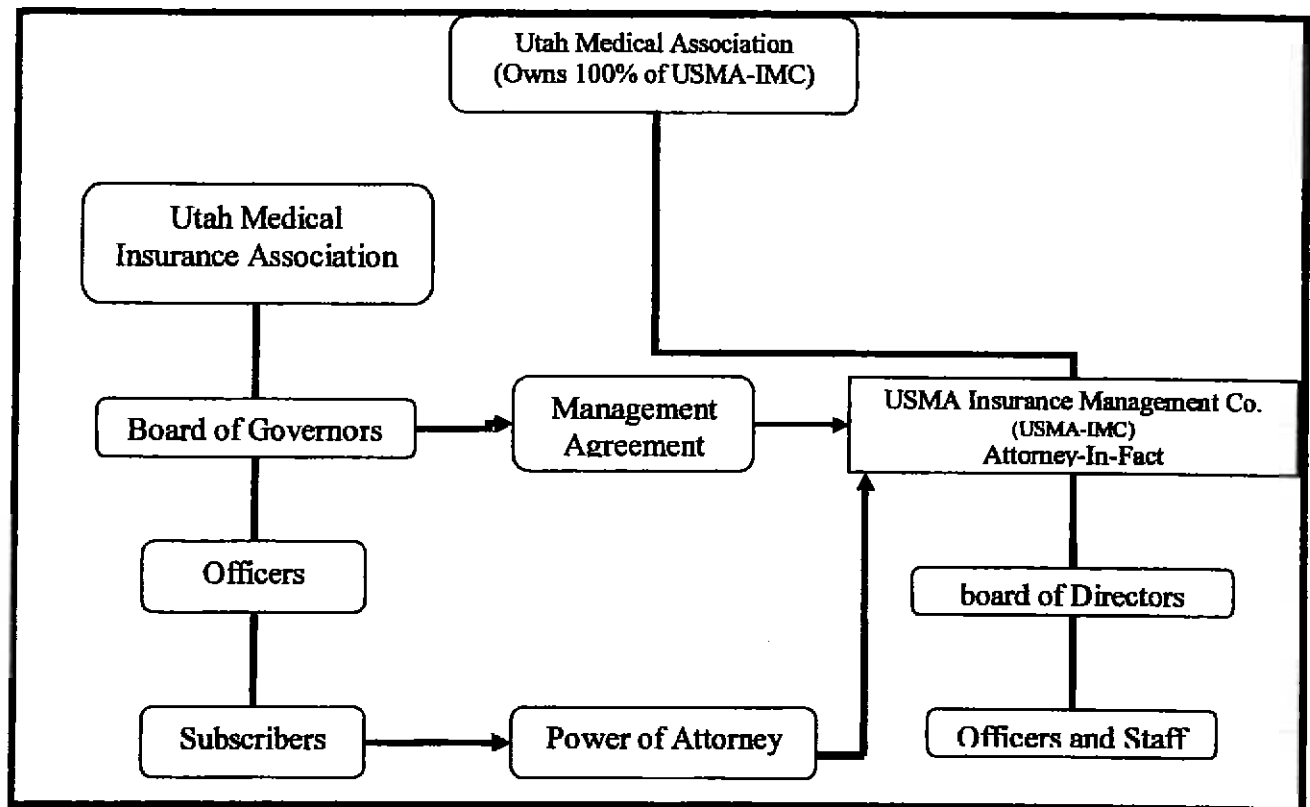
Corporate Records

The examination report generated by the Utah Insurance Department as of December 31, 1997, was reviewed and approved by the board of directors on August 13, 1998. There was no mention in the minutes of the board of governors that the December 31, 1997, examination report was reviewed or approved. Since the board of governors was the ruling body of the UMIA, it was recommended that all Insurance Department examination reports be reviewed and approved by the board of governors, and that such approval be reflected in the minutes of the board of governors.

AFFILIATED COMPANIES

The Association was an interinsurance exchange managed by its attorney-in-fact, USMA-IMC, a Utah corporation wholly owned by the UMA.

The following chart shows the structures of the Association and its attorney-in-fact. It also shows the affiliation with the attorney-in-fact and the UMA.



Transactions with Affiliates

The Association had a management agreement with the attorney-in-fact, USMA-IMC, which provided that the attorney-in-fact was responsible for the administration and management of the Association. The agreement continues indefinitely unless terminated by either party upon notice of at least one year.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested in the NAIC Examiners Handbook for a company of the Association's size and premium volume was not less than \$500,000. At the examination date, the Association had such coverage in effect.

The Association was also a named insured under policies providing general liability, auto liability, and worker compensation insurance coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Association had no employees.

STATUTORY DEPOSITS

In compliance with U.C.A. §31A-4-105 and §31A-2-206, the Association maintained on deposit with the Utah Insurance Department, securities with a statement value of \$1,600,000 and a market value of \$1,840,000. The statutory deposit complies with the above noted U.C.A. §31A-4-105 in that the statutory deposit is equal to the Association's minimum permanent surplus requirements as set forth in U.C.A. §31A-5-211. In addition, the Association maintained on deposit with the Nevada Insurance Department, securities having a statement value of \$200,000 and a market value of \$230,000.

The deposit maintained through the Utah Insurance Department consisted of a U.S. Treasury bond held under a tri-party agreement between the Association, the Utah Insurance Department and the Wells Fargo Bank Northwest N.A. of Salt Lake City, Utah. The Utah deposit was increased on February 10, 1999, to \$1,600,000 from the previous \$1,000,000 due to a change in Association coverage.

The Nevada deposit was established on July 17, 2000, and consisted of a U.S. Treasury bond held under a tri-party agreement between the Association, the Nevada Insurance Department and the Wells Fargo Bank Northwest N.A. of Salt Lake City, Utah.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms

Since 1986, the Association had offered claims-made medical malpractice with coverages from \$100,000 to \$7,000,000 and related premises liability insurance to medical practitioners with coverages from \$100,000 to \$3,000,000. Coverage of property damage under premises liability was limited to \$50,000. Coverage to ancillary personnel was offered only under the physician's policy and was limited to medical care rendered while in the insured physicians' employment.

Office-based physicians are required to purchase professional premises liability insurance. Limits of liability are equal to the professional liability limits selected up to \$1 million/\$3 million. In addition, property damage of \$50,000 each occurrence and premises medical payment of \$1,000 per person, \$25,000 each accident are included. UMIA does not underwrite coverage for office contents or personal property.

Rates

Members were charged premiums based upon their medical specialty and the coverage limits.

Premium rates were discounted under certain circumstances. New practitioners were given discounts during the first five years of practice. Group discounts were given. Policyholders were offered discounts if deductibles were elected. A "Loss Free Credit" program allowed physicians to receive discounts up to 25% of premiums.

Underwriting Practices

The attorney-in-fact had an underwriting committee to whom the underwriting staff referred cases for individual review and evaluation. The underwriting committee also served as a source of appeal for physicians who wished to appeal the application of a surcharge or cancellation of coverage. Final appeal of the committee's decisions was heard by the board of governors.

The underwriting committee used an evaluation point system to determine the premium surcharge. The surcharge assessed remained in force in accordance with the following table:

Surcharge Percent	Duration
10 - 25	12 months
30 - 50	24 months
75 - 200	24 months minimum subject to reevaluation by UMIA at the expiration of 24 months.

There were established procedures, rules and guidelines for committee review, referral of cases to the committee because of claims reviews and the determination of surcharge and coverage exclusions.

Any exclusion by the committee was subject to continuance for an indefinite period. The policyholder could request consideration for removal of the exclusion after it had been in effect for six months and then only after the policyholder had furnished satisfactory evidence of retraining or other appropriate considerations.

Territory and Plan of Operation

The Association was authorized to transact the business of medical malpractice insurance and related premises liability insurance in the states of Idaho, Montana, Nevada, Wyoming and Utah.

Martin J. Oslowski, President of the attorney-in-fact, was a licensed agent in the states of Utah and Montana. The Association utilized the services of a general agent in the state of Wyoming.

As of December 31, 2000, there were 2,199 policies in force in the following states:

Idaho	15
Montana	487
Nevada	5
Wyoming	2
Utah	1,665
Ancillary *	<u>25</u>
	<u>2,199</u>

*The ancillary designation was for nurse practitioners, midwives, and certified nurse anesthetists with individual policies and individual limits.

Advertising and Sales Material

Business was derived from direct mailing and advertisement in the Medical Association's publications in the states in which the Association was licensed.

Treatment of Policyholders

There were no complaints filed with the Utah Insurance Department during the examination period. The examination encountered no problems in regard to policyholder complaints during the review of paid claim files during this examination.

REINSURANCE

Assumed

The Association did not assume reinsurance.

Ceded

The Association had in effect a primary excess of loss reinsurance treaty, first and second excess cession treaties, a catastrophe awards made excess of loss treaty, directors & officers/managed care error and omissions quota share treaty and a medefense quota share treaty. The reinsurance was provided through various reinsurers in England, Germany and Sweden.

As of December 31, 2000, the limits of coverage under the reinsurance treaties are scheduled as follows:

<u>Treaty</u>	<u>Type of Reinsurance</u>	<u>Policy Loss Limit</u>	<u>Aggregate Policy Limit</u>	<u>Retention</u>
Primary excess	Excess of Loss	\$ 1,000,000	\$ 3,000,000	\$425,000
Excess policy limits/extra contractual obligations	Excess of Loss	\$ 2,000,000	\$ 2,000,000	
First excess cession	Excess of Loss	\$ 2,000,000	\$ 4,000,000	
Second excess cession				
physicians	Excess of Loss	\$ 6,000,000	\$ 8,000,000	
hospitals	Excess of Loss	\$11,000,000	\$13,000,000	
Catastrophe "awards made"	Excess of Loss	\$ 5,000,000	\$ 5,000,000	5%
Directors & officers/managed care e&o	Quota Share	\$ 5,000,000	\$ 5,000,000	5%
Medefense/fraud and abuse	Quota Share	\$ 25,000	\$ 25,000	10%

Primary excess coverage:

The treaty was on a claims made basis and was a three-year contract running through December 31, 2001. The additional \$2,000,000 of coverage provides for claims in excess of policy limits and extra contractual obligations. This makes available coverage, net of retention, in the amount of \$2,525,000 for each loss. When two or more policies are involved in the same loss, the coverage was \$2,375,000, which limits the number of policies involved in one loss and retention to five.

The premium was \$2,000,000 annually and was adjusted 12 months after the expiration of the contract and annually thereafter until all losses are settled or commuted. The premiums are adjusted at a rate of 110% of cumulative incurred loss cost plus a minimum rate of 3.5% of the UMIA cumulative gross net earned premium income (GNEPI) for the primary coverage. In no event may the minimum rate plus 110% of the cumulative incurred loss cost exceed a maximum rate of 20% of the cumulative GNEPI for the primary coverage.

First excess coverage:

The first excess of loss contract was on a claims made basis. This was a continuous contract subject to annual renewal commencing January 1, 1999. The premium consisted of 85% of the original gross net written premium. Premiums charged to UMIA under this agreement were passed directly on to the policyholders. UMIA retained 15% of the premiums collected from the policyholders as a

commission and passed the remaining net premiums on to the reinsurers. UMIA retained no risk associated in these optional layers of coverage.

Second excess coverage:

The second excess loss contract was on a claims made basis. This was a continuous contract subject to annual renewal commencing January 1, 1993, for claims made and tail policies and for commercial general liability policies (hospitals) commencing January 1, 1996. The premium consisted of 85% of the original gross net written premium. Premiums charged to UMIA under this agreement were passed directly on to the policyholders. UMIA retained 15% of the premiums collected from the policyholders as a commission and passed the remaining net premiums on to the reinsurers. UMIA retained no risk associated in these optional layers of coverage.

Catastrophe excess of loss:

The catastrophe excess of loss contract was on an "awards made" basis and provided coverage in excess of the primary and the first and second excess cession layers. This was a continuous contract subject to annual renewal commencing January 1, 1992, and covered awards made on or after December 1, 1978. UMIA retained 5% of any loss and paid an annual minimum premium of \$118,750 (95% of \$125,000). The minimum premium was adjusted at each year end at a rate of .625% of the GNEPI for the primary coverage.

Directors and officers/managed care e&o:

The directors and officers contract had limits subject to 5% retention by UMIA. This was a continuous contract subject to annual renewal commencing June 1, 1996. The premium consisted of the original gross net written premium less 5% retention and 15% ceding commission. At the end of 2000, there were only 2 groups of physicians with the directors and officers quota share coverage (less than 80 doctors). Total net premiums paid for this coverage in 2000 was \$26,325. Under the managed care errors and omissions quota share coverage, there were no policyholders carrying this coverage and no premiums were paid in 2000.

Medical benefits stop loss:

This coverage was for managed care groups and physicians that were paid on a cap loss basis or were paid a set amount per the procedure performed. Any amount above the set amount was usually written off as a loss by the physician. The medical benefit/stop loss quota share treaty was purchased by physicians to minimize the amount of write-offs per cap loss arrangements to a preset percentage of the procedure amount. At the end of 2000 there were no policyholders carrying Medical Benefit/Stop Loss Quota Share coverage. No net premiums were paid in 2000. The medical benefits stop loss contract was not renewed as of January 1, 2000.

Medefense/fraud and abuse:

The Medefense contract was implemented in 1999 and covered legal expenses for fraud and abuse and had limits up to \$25,000 after the policyholder paid a deductible of \$1,000 per disciplinary proceeding and, if applicable, a 25% co-insurance per disciplinary proceeding. This was a continuous contract subject to annual renewal commencing on January 1, 1999. The premium was \$110 annually for mandatory insureds (included as part of claims made premiums) and \$150 annually for optional insureds. UMIA retained 10% of the premiums collected plus 15% ceding commission. At the end of 2000 there were 1,951 policyholders with this coverage. Total premiums paid in 2000 were \$205,027.

ACCOUNTS AND RECORDS

The Association's general ledger and subsidiary records were maintained by use of electronic data processing systems. The Association had a back-up computer at the independent programmer's site in Salt Lake City, Utah. The system was complete with terminals and capable of operations independent from the system at the home office. Tapes, which were stored at the programmer's location, were updated weekly. In addition, back-up tapes were stored daily in a lock box at the Association's bank.

In 1994, the Association received permission from the Utah Insurance Department for a plan to retire subordinated notes of insured physicians. As of December 31, 1998, all subordinated notes had been repaid by the Association.

During the review of the Association's operations, the following record keeping deficiencies were noted:

- During the review of the cash receipts segregation of duties policies and procedures, it was noted that one staff member performed multi-functions that should require two people to do the check and balance properly. *if reviewed*
- According to the records of the Association, there are six individuals designated and authorized to sign checks. These persons have limitless authority attached to their signatures. The Association's check signing policy however, requires only two signatures on all checks regardless of the amount. The lack of check authority limitation was a weakness of internal control and could expose the Association to a fraudulent act. *"*
- With the exception of one board of director meeting, the minutes of the membership, board of governors and the board of directors were not signed.
- There was no indication in the 1998, 1999 or 2000 annual membership meetings that the minutes of the previous annual meetings were reviewed and accepted. *?*
- There was no indication in the minutes of the board of directors and the board of governors that the specific investments of the Association were being reviewed and approved. *?*
- As of December 31, 2000, five members of the board of governors had terms expiring on December 31, 2000, four members had terms expiring on December 31, 2001 and three had terms expiring on December 31, 2002. This was not in strict compliance with Article IV, Section 3, Rules and Regulations of the UMIA.
- The 1999 annual meeting was held on a date different from that set forth in the notice for the meeting, and thus was not in compliance with Article III, Section 1, Rules and Regulations. *1*
- The minutes of the annual meetings for 1998, 1999 and 2000 did not indicate if the required minimum of 101 members were represented in person or by proxy for a quorum as required by Article III, Section 3, Rules and Regulations. *?*

- There was no indication in the minutes of the 1998, 1999 or 2000 annual meetings if an actual election was held or if it was held during the annual meeting which was not in compliance with Article IV, Section 2, Rules and Regulations.

Governance is very loose -

FINANCIAL STATEMENTS

The Association's financial condition as of December 31, 2000, and the results of its operations during the twelve months then ended, as determined by examination, are reported in the following financial statements:

Balance Sheet As of December 31, 2000

Underwriting and Investment Exhibit – For the Year Ended December 31, 2000

Capital and Surplus – Account and Analysis

January 1, 1998 Through December 31, 2000

**UTAH MEDICAL INSURANCE ASSOCIATION
BALANCE SHEET
As of December 31, 2000**

ADMITTED ASSETS

	<u>Admitted Assets</u>
Bonds	\$ 94,075,633
Common Stocks	4,342,795
Cash and Short-term Investments	11,346,277
Premiums and Agents' Balances In Course of Collection	56,230
Reinsurance Recoverables on Loss and Loss Adjustment Expenses	1,794,947
Guaranty Funds Receivable or on Deposit	188
Interest, Dividends and Real Estate Income Due and Accrued	1,540,470
Reinsurance Premium Receivable	<u>38,485</u>
TOTAL ASSETS	<u>\$113,195,025</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 57,118,270
Loss Adjustment Expenses	12,303,268
Other Expenses	3,330
Taxes, Licenses and Fees (Excluding Federal Income Tax)	70,412
Federal and Foreign Income Taxes	31,960
Unearned Premiums	2,200,000
Provision for Reinsurance	36,000
Excess Statutory Reserves over Statement Reserves	114,344
Provisional Reinsurance Payable	4,239,000
Advance Premium	4,145,319
Reinsurance Premium Payable	<u>158,809</u>
TOTAL LIABILITIES	<u>80,420,712</u>
Unassigned Funds (Surplus)	<u>32,774,313</u>
SURPLUS AS REGARDS POLICYHOLDERS	<u>32,774,313</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS	<u>\$113,195,025</u>

**UTAH MEDICAL INSURANCE ASSOCIATION
UNDERWRITING AND INVESTMENT EXHIBIT
For the Year Ended December 31, 2000**

UNDERWRITING INCOME

Premiums Earned	<u>\$ 16,321,171</u>
DEDUCTIONS	
Losses Incurred	18,261,281
Loss Expenses Incurred	643,047
Other Underwriting Expenses Incurred	<u>1,789,223</u>
Total Underwriting Deductions	<u>20,693,551</u>
Net Underwriting Gain or (Loss)	<u>(4,372,380)</u>

INVESTMENT INCOME

Net Investment Income Earned	5,848,792
Net Realized Capital Gains or (Losses)	<u>440,321</u>
Net Investment Gain or (Loss)	<u>6,289,113</u>

OTHER INCOME

Net Gain or (Loss) From Agents' or Premium Balances Charged Off	(35,674)
Finance and Service Charges Not Included In Premiums	<u>119,119</u>
Total Other Income	<u>83,445</u>
Net Income before Dividends to Policyholders and Before Federal Income Taxes	2,000,178
Federal and Foreign Income Taxes Incurred	<u>246,561</u>
Net Income	<u>\$ 1,753,617</u>

** They could have experienced a loss in 2001.*

UTAH MEDICAL INSURANCE ASSOCIATION
CAPITAL AND SURPLUS
ACCOUNT AND ANALYSIS
January 1, 1998 Through December 31, 2000

	<u>1998</u>	<u>1999</u>	<u>Per Exam</u> <u>2000</u>
Surplus As Regards Policyholders December 31, Previous Year	<u>\$ 27,129,045</u>	<u>\$ 29,372,121</u>	<u>\$ 31,177,725</u>
Net Income	2,818,806	2,004,396	1,753,617
Net Unrealized Capital Gains or (Losses)	180,076	103,241	(156,020)
Change in Nonadmitted Assets	58,875	(242,185)	(5,448)
Change in Provisions for Reinsurance	(35,000)	5,000	5,000
Change in Excess of Statutory Reserves Over Statement Reserves	(37,120)	(1,046)	(2,532)
Surplus Adjustments	(742,561)		
Extraordinary Amounts of Taxes for Prior Years		(63,802)	1,971
Change in Surplus as Regards Policyholders Surplus for the Year	<u>2,243,076</u>	<u>1,805,604</u>	<u>1,596,588</u>
Surplus As Regards Policyholders December 31, Current Year	<u><u>\$ 29,372,121</u></u>	<u><u>\$ 31,177,725</u></u>	<u><u>\$ 32,774,313</u></u>

SUMMARY OF COMMENTS AND RECOMMENDATIONS

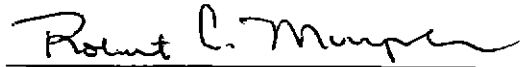
Items of significance or special interest contained in this report are summarized below:

1. It is recommended that all Insurance Department examination reports be reviewed and approved by the Board of Governors; and that such approval be reflected in the minutes of the Board of Governors. (Corporate Records)
2. During the review of the Association's operations, the record keeping deficiencies were noted.
3. As of December 31, 2000, the Association's surplus as regards policyholders was determined to be \$32,774,313 for purposes of the current examination. The Association's surplus fulfilled the requirements of U.C.A. §31A-5-211 which requires the Association to maintain a minimum permanent surplus in the amount of \$1,600,000. (Statutory Deposits, Balance Sheet)
4. In accordance with U.C.A. 31A-17, Part VI, the Association reported total adjusted Risk Based Capital (RBC) in the amount of \$32,774,313 with its authorized control level RBC in the amount of \$4,660,315. The examination made no financial statement or RBC changes. (Balance Sheet)

CONCLUSION

In addition to the undersigned, Faanu Laufiso, Examiner, representing the Utah Insurance Department, Randy Ross and Glenn Taylor of Taylor-Walker & Associates, Inc., join the undersigned in acknowledging the courteous cooperation and assistance extended by the representatives of the Association during this examination.

Respectfully submitted,



Robert C. Murphy, CFE, CIE, FLMI
Senior Examiner
Utah Insurance Department